

Message Text

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42

ACTION ARA-10

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TO SECSTATE WASHDC PRIORITY 3286

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 7645

LIMDIS

E.O. 11652: GDS

TAGS: PFOR EINV EC

SUBJECT: TEXACO-GULF PROBLEM

REF: A) QUITO 7013; B) QUITO 7106; C) QUITO 7287

1. IN PRIVATE CONVERSATION WITH TEXACO-GULF'S LATIN AMERICAN OPERATIONS MANAGER MAX CRAWFORD EVENING NOVEMBER 10, DCM WAS INFORMED THAT CURRENT TALKS BETWEEN TEXACO-GULF AND GOE PETROLEUM OFFICIALS, INCLUDING NEW MINISTER OF NATURAL RESOURCES, SALAZAR, ARE PROGRESSING WELL. CRAWFORD SAID THAT NEW TEAM IN THE MINISTRY OF NATURAL RESOURCES SEEMED MUCH MORE RECEPTIVE TO PRACTICAL ASPECTS OF THE CURRENT PRICING PROBLEM THAN DID THEIR PREDECESSORS.

2. THE PROBLEM ARISES FROM THE OVER-PRICING OF ECUADOREAN CRUDE IN THE WORLD MARKET. THE CRUDE, THEREFORE, IS NOT BEING LIFTED AT ANYWHERE NEAR ITS EARLIER RATE. PRODUCTION IS NOW UNDER 100,000 BARRELS A DAY, WELL BELOW THE AUTHORIZED PRODUCTION LIMIT OF 210,000 BARRELS. THE EFFECT OF THE MODIFICATION TO SUBCONTRACTORS TO SHUT DOWN ALL BUT ONE WORKING RIG AND ONE WORK-OVER RIG (SEE REFTEL) WILL NOT BE FELT ON EMPLOYMENT UNTIL THE 30 DAY NOTICE PERIOD TERMINATES TOWARD THE END OF NOVEMBER. AT THAT TIME PROBABLY 500 EMPLOYEES OF SUBCONTRACTORS WILL BE OUT

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OF WORK. NEVERTHELESS, THE RIGS REMAIN IN THE COUNTRY

AND IF A NEW PRICE STRUCTURE JUSTIFIES IT, THEY CAN CONTINUE IN OPERATION.

3. CRAWFORD SAID THAT GOE HAS AGREED THUS FAR THAT PRICE STRUCTURE CAN BE REDUCED BY 40 CENTS A BARREL. NEVERTHELESS, CRAWFORD BELIEVES THAT IT WILL TAKE A REDUCTION OF ALMOST TWICE THAT MUCH TO MOVE THE CRUDE AT PRIOR RATES. HE REMAINS OPIMISTIC THAT THIS CAN BE DONE, AND THEREFORE SEES NO SERIOUS CONFRONTATION WITH THE GOE.

BREWSTER

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